

**Submitted by Michigan Environmental Council  
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**1. What information do energy policy makers need to consider in order to make good energy decisions?**

To answer the question of what data is needed by policy makers to make good energy decisions the state has to first articulate what goals it is trying to achieve through its energy policy. Unfortunately, at this time the state does not have an “energy plan” in which one would expect to find those goals. The lack of an agreed upon set of clear goals also makes it difficult for regulators to determine whether utility investments and expenditures are “reasonable and prudent” and thus should or should not be recoverable through energy rates.

The Governor in his address has identified at least three goals (affordability, reliability, and protection of the environment). He has also introduced what could be characterized as a fourth goal in his desire for a “no regrets” policy. This brings in the concept of “minimizing risk” and choosing a course that will not result in future surprises for Michigan ratepayers or residents.

Another initiative of the Governor and the Michigan Economic Development Corporation is the Pure Michigan Business Connect program. At its core, the initiative is focused on having Michigan businesses use other Michigan businesses, to the extent possible, supply the goods and services they need to serve their customers. As we move forward with energy policy another goal should be to promote economic development and the use of Michigan-made products and Michigan workers whenever possible.

The last concept related to affordability that could also be stated as a goal would be “fairness”. Energy users should pay (or have the opportunity to pay) approximately the same amount for energy as other similarly situated users.

Therefore, we would suggest establishing the following as the goals of a Michigan energy plan and collecting and analyzing data on how our state can best achieve those goals:

1. **Control costs** - The state should try to keep the cost of energy affordable to Michigan businesses and families. This analysis of costs should look at both the cost of electricity itself as well as external costs such as health care costs and damages to natural resources.
2. **Minimize risk** - An overall goal of our energy investments should be to reduce the risk of future surprises to Michigan ratepayers and residents. The concept of risk in the energy field includes a number of concepts including the following:
  - Risk that rates will escalate in the future based on the cost of fuel or other inputs, or changes to federal emissions regulations
  - Risk that a major generating source of power will be underutilized and thus its fixed costs spread across a reduced number of megawatt hours (increasing the life-cycle costs)
  - Risk that the manner of generating power may result in harm to public health and natural resources

3. **Fair rates** - Rates should be fair with customers paying their fair share based on the cost of service for providing them power. Those rates should be based primarily on the type of connection to the grid, the time of day the power is used and a fair portion of the transmission and distribution costs of providing power. Rates based on arbitrary classification of customer types should be eliminated.
4. **Promote economic development** - Michigan businesses and residents spend over \$10 billion each year on electricity. Utilities should be encouraged to maximize the expenditures of those funds within the state in a manner that uses Michigan workers and Michigan manufactured goods.
5. **Protect public health and natural resources** - Energy providers should be required to minimize their impacts on public health and our natural resources. Although the EPA and other agencies set pollution discharge standards for certain facilities they do not completely eliminate the emissions. Those remaining emissions have demonstrable impacts on Michigan residents and our natural resources. Energy providers should be required to consider those impacts and minimize them when prudent alternatives are available.
6. **Preserve excellent reliability** - As stated by the Governor, maintaining our high level of reliability is good for Michigan businesses and is evaluated by businesses considering a move to Michigan.

Additionally, the energy field is changing rapidly and the best way forward for our state will likely look very different from the energy business model of the past century. As policymakers are considering how to achieve energy goals and make good energy decisions for our state, it is important for them to look at our regulatory process and update it to improve our chance for success. It is crucial that we work toward aligning the goals of our energy providers and their shareholders with the goals of ratepayers and residents of the state. Unfortunately, in many respects the current business models of Michigan utilities are not aligned with what is in the best interest of ratepayers. To the extent they can be realigned to match through the regulatory process, our utilities will be stronger companies and the needs of the ratepayers will be met.